

Washington, D.C. - The need for insurance reform is greater than ever and the lack of a national regulatory system is having dire effects on our nation's military families and other consumers, according to congressional testimony from insurance providers and regulators delivered Wednesday.

Congresswoman Melissa Bean (IL-08) renewed her promise to fight for insurance reform.

"For years, hearings have been held identifying the problems inherent in the current state-based system," Bean said. "Insurance reform needs to happen and we should start now."

At a hearing before the House Financial Services Committee, national insurance associations and a former state regulator endorsed Bean's plan for an optional federal charter to regulate insurance, an idea embodied in the bipartisan National Insurance Act introduced by Bean and Rep. Ed Royce (CA-40) in July. An optional federal charter (OFC) for life and property/casualty insurance providers would replace the current system of 51 different state insurance regulators. Insurance providers could choose between being regulated at the state level or by the new federal regulator.

"As a resident of and representative for Illinois, I've seen firsthand the benefits to consumer pricing and product options in a deregulated environment," Bean said. "We can extend those benefits nationally with this bill."

The nation's military families face major inconveniences under the current state-based system, said William McCartney, Senior Vice President at the United Services Automobile Association (USAA) Group. USAA provides insurance to over 6 million current and former members of the U.S. military and their families.

"Costs inherent in state insurance regulation burden our members when they change policies, as is necessary when they are ordered to change residences, once every 18 months on average, often within days," McCartney said in remarks submitted to the committee. "A move means a complete re-underwriting, re-pricing, and re-issuance of their property and casualty (insurance) products and it also generally means different coverages in the new state than what

they had in the state they just left.”

McCartney, the former Director of Insurance for the state of Nebraska, said a federal charter will serve all consumers.

“(The National Insurance Act) establishes stronger, re-focused regulation in those areas where regulation is necessary to protect consumers as they navigate the system,” McCartney said. “Above all, (the Act) will assure that the insurance safety net remains strong despite the ever-changing nature of risk.”

The Council of Insurance Agents & Brokers also supports an optional federal charter.

“Like the marketplace, our clients have risks and exposures that transcend state boundaries and are both national and international in scope,” said Albert R. Counselman, past chairman of the council and Chairman and CEO of Riggs, Counselman, Michaels and Downes (RCM&D). “The current state regulatory patchwork quilt of regulation not only has not kept up but cannot keep up due to the globalization of the business.”

Life insurance providers said the state-based systems hinders product development.

“Life insurers today operate under a patchwork system of state laws and regulations that is not uniform and that is applied and interpreted differently from state to state. The result is a system characterized by duplication, inconsistency, and inefficiency,” said Christopher Condron, CEO of AXA Financial, on behalf of the American Council of Life Insurers. “To encourage innovation it is important for there to be uniform standards, consistently applied and efficiently administered.”

Other testimony from broker groups and current state regulators also acknowledged that the current state-based system is out-of-date and inefficient.

Wednesday's hearing before the House Financial Services Committee's Subcommittee on Capital Markets is the first of several planned on the subject of insurance reform. The National Insurance Act is H.R. 3200.

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